REPORT OF THE WASTE REDUCTION AND PREVENTION COMMITTEE ON BEVERAGE CONTAINERS

Submitted to:

The Honourable J. Glen Cummings
Minister of Environment, Province of Manitoba

April 1991

WRAP Series 1991
Priority Material — Beverage Containers

W R P
Waste Reduction and Prevention

91-06844/

The views expressed in this report are those of the Committee representatives. The publication of this report by Manitoba Environment does not constitute acceptance or endorsement of any or all of the recommendations it contains. As part of the WRAP process, Manitoba Environment has facilitated the development of this report so that further consultation can proceed to develop a WRAP Action Plan for approval by the Minister of Environment.

For additional information on the WRAP Committee Process and other WRAP Committees, contact:

Waste Reduction and Prevention Branch
Manitoba Environment
960 - 330 St. Mary Ave.
Winnipeg, Manitoba
R3C 3Z5

Phone: (204) 945-8443 or Toll Free 1-800-282-8069 (ext. 8443)

EXECUTIVE SUMMARY

This report of the WRAP Committee on Beverage Containers reports the industry stakeholders' perspective on what constitutes appropriate waste reduction targets and how these targets can be achieved.

Many factors have led to beverage containers being a prime target of waste control legislation in Canada, principally centered around the contribution of the containers to solid waste and litter. Also, during the 1970's and 1980's, there were dramatic changes in beverage packaging materials towards single use containers.

All of the Committee members acknowledge their obligation to stewardship of their containers. They are committed to improve container recovery and recycling to ensure that return rates in Manitoba are comparable to those being achieved elsewhere.
The Committee's recommendation is to have each industry enhance its current program in order to achieve return rates comparable to other western provinces. The Committee has outlined specific steps to meet this objective.

The brewing industry has increased deposits on aluminum cans to 10¢ per container and will initiate promotional activities to encourage higher returns. The Manitoba Soft Drink Association will enhance promotion and education programs, increase and/or expand the permanent and mobile depot system, examine the buy-back prices, and improve customer service provided by the Manitoba Soft Drink Recycling Incorporated (MSDRI) system. The Manitoba Liquor Control Commission will continue to participate in an enhanced MSDRI program and will examine the buy-back price for glass containers.

All Committee members are committed to providing timely, accurate and verifiable return numbers to Manitoba Environment. If incremental improvements to the current collection systems fail to deliver adequate results, an integrated deposit system would seem to offer the best alternative. Such a system would feature cooperation among beverage producers to establish a corporation which would operate a comprehensive recovery system for all refillable or recyclable beverage containers.

The Committee agrees that both fairness and common sense dictate that any system in Manitoba must cover all beverages.

The Committee recommends that the Minister of Environment undertake early consultation with other stakeholders whose interests might be affected by the implementation of its recommendations. A further public meeting on this specific subject should be organized. The Committee also recommends that the Minister consider establishing a WRAP committee on litter which would involve all the industries whose products or packaging are commonly found in litter.

TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	
ESTABLISHING THE WRAP COMMITTEE ON BEVERAGE CONTAINERS:	
The WRAP Process	i
Beverage Containers as a Priority Material	ii
REPORT OF THE WRAP BEVERAGE CONTAINER COMMITEE SUBMISSION TO THE MINISTER OF ENVIRONMENT:	
TAKING REPONSIBILITY	1
The Brewing Industry	1
The Soft Drink Inudstry	1
Beverage Alcohol	2
Return Rates in Other Provinces	2
ACHIEVING THE PROPOSED TARGETS	2
OPTION 1: BUILDING ON THE PRESENT SYSTEMS	3
The Brewing Industry	3
The Soft Drink Industry	3
Beverage Alcohol	4
Summary of Benefits and Costs of Option 1	4
OPTION 2: INTEGRATED DEPOSIT SYSTEM	5
A Possible Integrated Model	5
Points of Disagreement	5
Summary of Benefits and Costs of Option 2	6
RELATED ISSUES	7
Litter	7
Reporting and Accountability	7
Markets	7
Level Playing Field	7
Other Beverages	7
Imports	8
Jobbers	8
Roles for Other Stakeholders	8
RECOMMENDATIONS	9
APPENDIX A	10

Establishing the WRAP Committee on Beverage Containers

The WRAP Committee Process

In June 1989, the Honourable J. Glen Cummings, Minister of Environment, challenged Manitobans to accomplish a 50% reduction in the volume of solid waste going to waste disposal grounds by the year 2000. He appointed a multi-stakeholder Recycling Action Committee (RAC) to develop recommendations on a strategy for accomplishing this objective. In June 1990 the Minister released the RAC Action Plan which included 56 recommendations and placed a particular emphasis on strengthening responsibility within the distribution chain to ensure that waste resulting from the consumption of designated products and materials would be reduced and that markets would be established for secondary materials where this was possible.

In April 1990 the Manitoba Legislature adopted new legislation, the Waste Reduction and Prevention Act, (WRAP) to establish an effective process and necessary powers for accomplishing waste reduction objectives. Following review of the RAC recommendations to ensure that the new legislation was consistent with the proposed strategy, the Manitoba Government proclaimed the WRAP Act in August 1990.

The WRAP Act establishes a clear process for setting and reaching waste reduction targets and for addressing waste reduction problems. There are clearly defined stages in the WRAP process. These steps are shown in the box

The procedure followed by Manitoba Environment for the development of WRAP Action Plans ensures public consultation and accountability. Stakeholders and the public may review both the WRAP Committee terms of reference and its reports. There will be full consultation on regulatory initiatives.

The Waste Reduction and Prevention Act specifically empowers the Minister of Environment to develop regulations calling on "producers or groups of producers to develop, submit and implement waste reduction and prevention plans". Consistent with the desire to develop cooperative and non-regulatory solutions prior to any formal adoption of appropriate regulations, the Minister of Environment, under the authority of the Act, established four committees in January 1991 to provide advice on processes for "distributors of products or materials with the potential to become waste" to report on how they will fulfill their responsibilities to minimize waste and exercise stewardship. The four priority materials are beverage containers, newspaper, used oil and tires.

W.R.A.P. Process

- Identification of a waste stream material that is a priority for reduction.
- The Minister of Environment appoints a stakeholder WRAP Committee for each priority material.
- Adoption of a target for waste reduction or prevention by the WRAP Committee.
- Development of plans and programs to meet the target by the WRAP Committee.
- Review of WRAP Committee Report by the Minister of Environment.
- Development of WRAP regulations if necessary.
- Minister approves WRAP Action Plan.
- Recording of information on the program's performance.
- Assessment of effectiveness.

This report of the WRAP Committee on Beverage Containers reports the industry stakeholders' perspective on what constitutes appropriate waste reduction targets and how targets can be achieved. It responds to the Terms of Reference that were laid out by the Minister for the Committee (Appendix A).

Recognizing the critical role of other stakeholders in the process of determining and achieving waste reduction targets, the Committee has been requested to identify appropriate roles for stakeholders not represented on the Committee. Input from them has also been requested by the Minister and the Reports are to be distributed. The Minister of Environment will respond to the WRAP Committee Report and accompanying consultations and will provide direction on the adoption and implementation of WRAP Action Plans.

Beverage Containers as a Priority Material

Many factors have led to beverage containers being a prime target of waste control legislation in Canada, principally centered around the contribution of the containers to solid waste and litter. This stems primarily from the fact that beer and soft drink containers are so recognizable among all the items in the waste stream.

While more than 50,000 tonnes of beverage containers are sold every year in Manitoba, these beverage containers are a manageable component of the waste stream. They would be about 5% of our total waste stream, were it not for a long history of stewardship by parts of the beverage industry. The recovery of beer, soft drink, and beverage alcohol (liquor, wine and related products) containers reduces that potential, but those not recovered and empty containers of other beverage products take up space when garbage is collected and disposed, raising municipal waste management costs.

An estimated 500,000,000 containers are sold annually in Manitoba for soft drinks, beer, beverage alcohol, milk, juices, water and other beverages. In previous times, most beverage industries used to rely on reusable glass bottles to deliver products to consumers and deposit/refund programs to recover the containers. During the 1970's and 1980's there were dramatic changes in packaging materials towards single use plastic and metal containers:

Changes in Beverage Packages

Beer: aluminum containers have grown to 10% of current sales.

Soft Drinks: refillables have declined to 6.3% in 1989.

Beverage Alcohol: non-glass containers have begun to appear.

Milk: refillable glass bottles have been replaced by other packaging.

Juice, Water and other Beverages: aseptic multi-material single-use containers have been introduced.

The response of the beverage industry to ensuring that their products are diverted from the waste stream has varied by industry group. Manitoba Environment has developed different concerns regarding each:

To address the concerns regarding the waste diversion rates being achieved for beverage containers, as well as to address other issues such as contribution to litter, this product group was identified as a priority material and a WRAP Committee was established by the Minister. While committed to developing strategies to encompass all beverage containers, initial emphasis was placed on carbonated beverages, to ensure that recovery rates in Manitoba are comparable to those being achieved elsewhere.

Concerns about Recovery Programs

Beer: return rates for aluminum cans have lagged behind what has been expected, with unrefunded deposits retained by the industry.

Soft Drinks: return rates being achieved have lagged behind what was expected.

Beverage Alcohol: the newly initiated program for recycling glass containers has not achieved high return rates.

Milk: no program initiatives beyond a pilot program established in 1990.

Juice, Water and other Beverages: only partial participation in initiatives.

The WRAP Beverage Container Committee Submission to the Minister of Environment

TAKING RESPONSIBILITY

The Waste Reduction and Prevention Committee on Beverage Containers included representatives of Manitoba's beer and soft drink manufacturers and the distributors of beverage alcohol and grocery products. All of the Committee members acknowledge their obligation to stewardship of their containers and are committed to work towards improvements in waste reduction through container recovery and recycling. They agree that higher return rates for beverage containers are possible in Manitoba, with the exception of returnable beer bottles which have already reached the practical limits with a return rate of 97% of sales.

The Brewing Industry

Manitoba's brewers believe that they are responsible for the potential waste from their products throughout their life cycle. They employ a deposit system to facilitate achievement of this objective because deposits provide beer consumers with an economic incentive to save and return used containers.

In Manitoba, 90% of the beer is sold in refillable bottles to which a deposit of 10¢ each is attached. With a return rate of 97%, and each bottle being reused an average of between 15 and 25 times, this system is about as close as one can come to "closing the loop" in environmental terms.

Although cans have not been returning at the same rate, the industry is determined to improve this number and has doubled the deposit to 10¢ as part of its commitment to a higher level of can returns. Since cans represent only 10% of the total beer market, the total industry return rate for all containers averages 92.6%.

The Soft Drink Industry

The soft drink industry has been one of the strong leaders in waste reduction and recycling by taking responsibility for its containers. The major brand soft drink producers have corporate policies which require the use of recyclable packaging. As well, the industry has been an innovative leader in production technology and transportation methods which has enabled it to reduce the weight of individual packages. Overall, the weight of individual refillable glass containers has been reduced by 23% since 1978; the weight of cans by 33% since 1976; and the weight of polyethylene terephalate (PET) plastic bottles by 21% since 1979.

Currently the industry is taking another important step in waste reduction by eliminating the plastic "base cup" on PET bottles. This reduces the weight of the individual bottle and makes it easier to recycle.

Reuse is important to the soft drink industry as well. Consumers are able to purchase soft drinks in refillable bottles throughout most of Manitoba. Manitoba's soft drink industry also reuses the plastic cases, wooden pallets and other shipping materials, and the transfer tanks used in fountain service of soft drinks.

In 1986 the Manitoba soft drink industry voluntarily established Manitoba Soft Drink Recycling Incorporated (MSDRI) which set up a comprehensive buy-back program for aluminum cans. Since then the system has grown to include all non-refillable soft drink, liquor and wine bottles and cans through a growing network of mobile and stationary depots. MSDRI pays for the return of these containers by weight.

MSDRI has cultivated a growing network of over 900 service clubs, social agencies, volunteer groups, boy scouts, girl guides, community centres, and minor sports organizations which use the revenues for important community activities. These are in addition to the large number of households which participate individually.

The system is recovering increasing numbers of containers, diverting them from solid waste to recycling. The program has the potential to grow further to reach enhanced recovery targets.

Beverage Alcohol

Prior to June 1989 there was no program to collect and recycle empty spirit, wine, imported beer or cooler packages.

Realizing this was becoming an environmental concern, the Manitoba Liquor Control Commission (MLCC) entered into a contractual agreement with MSDRI to collect these containers through its facilities. Consumers are paid 1¢ per pound for glass containers (one 750 ml bottle weighs approximately 1 pound) and market rates for aluminum and PET. The funds for the program are generated through an Environmental Protection Tax which is built into the price of all non-deposit containers sold by the Commission.

After 18 months experience with the Manitoba Soft Drink Recycling system, Manitobans are recycling approximately 10% of the glass containers sold annually by the Commission at a cost of approximately $150,000. This includes a system in Winnipeg which offers a free pick-up of liquor containers from over 60 of the largest licensees.

Return Rates in Other Prairie Provinces and Proposed Targets

The Minister's direction to the Committee was to develop a plan to reach recovery/recycling rates in Manitoba that are comparable to those of other western provinces. The Committee considered return rates in the western provinces and concluded that Alberta appears to have the most reliable system for tracking return rates and is also a mature program which has been in existence for many years. Table 1 reports on current return rates in Manitoba and Alberta and the proposed targets for Manitoba's programs for the years 1992 and 1994.

Table 1: Existing and Proposed Return Rates for Beverage Containers

Container Material	Alberta Actual 1990	Manitoba Actual 1990	Manitoba Proposed 1992	Manitoba Proposed 1994
Aluminum Cans	64.7%	42.9%	55%	65%
0.5L PET	63.9%	24.8%	45%	65%
1L PET	72.7%	24.8%	45%	65%
2L PET	84.1%	24.8%	45%	65%
Liquor & Wine	73.24%	10%	30%	70%
Imported Beer Cans	77.56%	n/a%	55%	70%
Imported Beer Bottles	84.32%	n/a%	30%	70%
Domestic Aluminum Beer Cans	67%	53%	60%	70%
Domestic Refillable Beer Bottles	97%	97%	97%	97%

ACHIEVING THE PROPOSED TARGETS

At present the brewing industry runs a program which uses the Manitoba Hotel Association members both as primary retailers and as the return system. All domestic beer containers now carry a 10 cent deposit and are returned to Hotel Vendors. The soft drink industry relies on retailers to refund deposits on refillable bottles and on an industry sponsored "buy-back" program where consumers are paid for used non-refillable containers (Manitoba Soft Drink Recycling Inc.). Currently the Manitoba Liquor Control Commission has a contractual arrangement with Manitoba Soft Drink Recycling Inc. to recover liquor containers.

The Committee believes that there are two different routes to achieving the proposed return rates set out in Table 1 and addressing the other points raised in the Committee's Terms of Reference. One approach builds on the current systems, the second moves toward a integrated collection system driven by deposits.

The primary stakeholders believe it is preferable to use the present incremental approach since it allows industry to move toward acceptable return rates without the need to undertake the extensive structural change and substantial financial investments that will be required if a integrated deposit system is to be established.

Option 1: Building on the Present Systems

The Committee's preferred option is to have each industry enhance its current program in order to achieve return rates comparable to other western provinces. Members believe that this approach will achieve the same return rates as Option 2 but with less cost to the consumers. The elements of this approach are industry specific.

The Brewing Industry

Bottle returns are not a problem, and the brewing industry is fully prepared to continue strengthening its present container collection system to ensure that beer cans also return at an acceptable rate. Equalization of the deposit rate to 10 cents has been an important first step which should show early results. In addition, point of sale promotion material will be prepared encouraging can consumers to return their empty containers. Manitoba's brewers are confident that these measures will allow them to meet the 70% objective over a three year period.

The Soft Drink Industry

The Manitoba Soft Drink Association (MSDA), which represents major soft drink brand producers in Manitoba, commits itself to working with Manitoba Environment and other stakeholders to improve the recovery of recyclable beverage containers in Manitoba.

Since 1986, MSDA has invested considerable money and effort in the development of the present beverage container recovery system as implemented by MSDRI. The MSDA continues to contribute operating funds to MSDRI.

MSDRI's program is growing significantly year by year. It now reaches all communities in Manitoba.

Recently, the soft drink industry and manufacturers of PET plastic bottles have developed technology whereby used PET can now be an ingredient in the manufacture of new PET soft drink bottles. This development will assure a strong and continuous market for used PET which further enhances the viability of the MSDRI program. Aluminum has always been a valuable recyclable commodity which is easy to market.

Further, MSDRI has now consolidated its relationship with over 900 service clubs, charitable groups, boy scouts, girl guides, boys and girls clubs, sports organizations, and volunteer social agencies all over Manitoba. These groups use MSDRI as a major source of fundraising.

The Manitoba Soft Drink Association is committed to the continual improvement of MSDRI's performance to meet the recovery targets sought by the Minister. MSDA proposes to expand the existing buy-back system and enhance its recovery performance to reach the targets above. This will be accomplished by:

- enhancing the infrastructure to reach more people with more convenient service; and
- motivating greater public participation through effective public relations and promotional support.

Specifically, MSDA intends to increase the frequency of mobile service, increase and/or expand permanent depots, examine buy-back prices and increase the collection capacity available, particularly at under-served locations, improved customer service, and MSDRI will co-ordinate a promotions campaign on behalf of the MSDA and generators of other recyclable packaging to broaden the awareness about the MSDRI program and to motivate greater participation. Complete details for the enhancements to MSDRI will be submitted as a business plan to the Minister by April 30, 1991.

The promotional campaign will be co-ordinated with the 900 volunteer and service organizations in MSDRI's network and will include conventional media, public relations, and promotions with the soft drink industry's retail partners.

MSDA will work with MSDRI management and the Ministry to define a satisfactory reporting system so that timely, accurate information will be available to the Ministry and the public on the performance of the container recovery system.

Table 2:
M.S.D.A.'s Proposed targets for Soft Drink Containers:

Year	Aluminum	PET
1992	55%	45%
1993	65%	55%
1994	*	65%
1995	*	75%

*The best soft drink recovery programs in North America get a 65% return rate on aluminum cans. MSDRI will continually strive for improvement as these other programs do.

Beverage Alcohol

The Manitoba Liquor Control Commission (MLCC) has determined that any return system should be convenient to the consumer in terms of number of outlets, ease of access, hours of operation and location. MLCC has the ability to participate in either the brewers system or in an enhanced MSDRI system.

It is unlikely that the current rate will increase significantly unless the buy-back price on glass bottles is increased and the convenience of the return system is significantly enhanced. The Commission is currently examining this area.

In terms of the second concern, return convenience, the Manitoba Soft Drink Association (MSDA) has committed to significantly improving service in this area. The MSDA will develop, following presentation of this report, a detailed plan of their intentions in this area.

Assuming the Commission agrees that MSDA planned improvements will result in attainment of the targets, the Commission would continue with MSDRI.

Assuming an increase in the payout on glass liquor containers and improvement in depot convenience and service, the Commission is prepared to commit to a 70% return rate within three years of implementation. The Commission would reserve the right to alter or terminate its agreement with MSDRI if it becomes evident that those return rates are not attainable using its system.

Summary of benefits and costs of Option 1

As indicated earlier, the industry stakeholders believe that the improvements to the present collection systems offer the quickest, least costly, and least disruptive way to ensure that Manitoba's empty beverage containers are collected and recycled in adequate numbers. If they are not able to reach the proposed targets in the time specified, they are fully prepared to consider other alternatives, including an integrated deposit system.

The major benefits of building on Manitoba's current systems, rather than moving to an integrated deposit program are:

- it is least costly to consumers, among the alternatives being considered;
- it builds on unique and successful Manitoba recycling initiatives;
- it diverts increasing amounts of material from solid waste;
- it will not require re-education as a change in system would; and
- it provides a level "playing field" for all products in recyclable packaging because it takes them all back.

and the enhanced MSDRI:

- can improve convenience and service to reach the targets;
- serves a growing network which already includes over 900 volunteer groups, as a source of fundraising;
- uses highly visible vehicles and bins which continually shows action on recycling;
- is based on a healthy form of voluntarism with the responsibility to participate vested with the individual, rather than compulsion or pay for the privilege not to participate as with foregone deposits;

The problems with this approach are:

- the financial incentive for individual responsibility is less, requiring the involvement of volunteer and charity groups for the emotional incentive to recycle;
- it is inconvenient for some people to go to the recovery points so they rely on service groups and lose the scrap value of the containers.

Option 2: Integrated Deposit System

If incremental improvements to the current collection systems fail to deliver adequate results, an integrated deposit system would seem to offer the best alternative. One of the advantages of moving first with Option One is that both industry and government will have time to analyze the results of British Columbia's current efforts to develop an expanded deposit system, to consider a consultant's evaluation of Alberta's deposit system presently being conducted for the Alberta Government, and to analyze the success of changes being proposed for Saskatchewan's program. Manitoba is in the fortuitous situation of being able to take advantage of a considerable investment of time and money being undertaken elsewhere.

A Possible Integrated Model for Manitoba

Experience elsewhere suggests that an alternative system probably should be based on deposits which are imposed at the manufacturer/import level and follow the container throughout its life cycle. In such a system, handling fees are paid to those participants whose sales margins do not include a consideration for processing returned containers.

Such a system would feature cooperation among beverage producers to establish a corporation which would operate a comprehensive recovery system for all refillable or recyclable beverage containers. The Committee agrees that both fairness and common sense dictate that any expanded system in Manitoba must cover all beverages and be based on the experience of the brewing industry in operating a deposit system and take into account the fact that the province's brewers, and the licensees who sell beer products and handle returning containers both from these sales and from those of the Manitoba Liquor Control Commission, have invested a substantial amount of money and effort in creating an efficient collection system. Important economic interests are at stake in a system which already meets most of the targets contemplated by government. Similarly, the soft drink industry has invested large sums in the establishment of MSDRI. The new corporation would blend these two systems together.

Committee members agree on the following assumptions which must guide any new integrated system.

1. Consumer convenience: Any alternative return system must be convenient to the consumer in terms of the location and number of specialized outlets, ease of access, and hours of operation. The present hotel-based system easily meets all of these criteria, as must additional depots. While beer containers would continue to return to licensees, other containers would return to depots, not retail stores for reasons of store hygiene, lack of appropriate space, loss of operating efficiency, particularly in stores designed to sell food products, and the higher costs of retail over specialized depots.

2. Business corporation model: Any expanded collection process must be operated on the basis of sound business principles. Handling fees and other payments should be determined by the market place, not by regulatory fiat.

3. Internalized cost segregation: An integrated collection system must not involve cross-subsidies between different beverage or container types. Each container stream should be economically self-supporting. There must be internalized cost segregation so that efficiency is rewarded. This will have the effect of encouraging use of the easiest to recycle container types. Commodity values should remain with manufacturers or their agents.

4. Universal Application: The deposit system should be imposed upon all beverages-beer, soft drinks, waters, fruit juices and drinks, dairy products, ready-to-drink teas, liquor, wine, coolers and spirits, regardless of the type of package the product uses.

   Distributors would collect deposits from retailers and include the handling charge into the price of the product. The retailer would charge the consumer the deposit and recoup his outlay. As is the case with hotel beer vendors, the distributor would pay the collector the deposit plus a handling fee which would be negotiated between the distributor and the collector. The distributor would recycle the collected material through an operation such as MSDRI and recoup some of the costs from the value of the scrap.

5. Diverse Consumer Opportunity: The recovery system will be sensitive to the need to serve rural and remote communities.

6. Local franchise opportunities: In communities or urban trading areas where beer licensees can not or will not undertake to accept all deposit bearing containers, franchises will be let to competent business people to provide the facilities. The MSDRI mobile service will be in-

tegrated into the network of fixed facilities to ensure that all areas of the province are effectively served.

7. Corporate Standards: The Corporation will set operating standards, pay deposits and handling fees to depot operators, receive and process all recyclables in order to ensure the highest price possible from commodity sales. It will promote the system to meet the recovery performance standards set by the Government.

8. Security of supply: The system must ensure that producers continue to get their refillable containers back with adequate speed and cost-efficiency.

9. No expropriation of current economic opportunity: Manitoba's hotel licensees have made a substantial investment in the facilities which retail beer and take back beer containers. If an expanded system is to be developed, these entrepreneurs should be given first-refusal of the opportunity to operate depots which would take back an expanded range of containers. In addition, licensees should continue to be allowed to accept back beer containers, whether they choose to get into the expanded empty container business or not. If they choose not to accept the opportunity, beer containers may also go to whatever other depot is established in that community or trading area.

10. Recognize environmental initiatives: Having already taken the initiative of operating an environmentally-responsible deposit driven empty container system, the province's brewers cannot reasonably be expected to accept additional costs in order to facilitate the collection of empty containers from the producers of other products. All beverage producers / distributors should carry the true costs of recycling the containers they use. Unredeemed deposits should remain with the producers so long as collection rates reach agreed objectives. This will help keep consumer prices down. If these recovery objectives are not reached, unredeemed deposits should be used by the container recovery corporation to stimulate return rates of poor preforming containers.

11. Minimum deposit: Government should establish a minimum deposit level of 5¢ on all containers.

Points of disagreement

While there is general agreement on most points, the appropriate deposit level remains a point of difference. While the brewing industry has established a 10¢ deposit on all containers, Manitoba's soft drink producers believe 5¢ is adequate for their containers and do not agree with the Liquor Commission that it is necessary to levy different deposits on different sized containers. Trends in other jurisdictions with deposits, such as Alberta, are to standardized deposits with as few different levels as possible. Different levels require sorting which increases handling costs. The Committee notes that introduction of a deposit on a wide range of low cost, non-alcoholic, products will have a substantial cost impact on consumers.

Summary of benefits and costs of Option 2

A comprehensive deposit system will provide consumers with a greater financial incentive to return containers, and could use and build upon the existing recovery infrastructure. It would bring all beverage producers/distributors together in a common system and provides the opportunity to divert material from solid waste.

On the other hand, this approach will significantly increase costs through handling fees and the initial cost of deposits on beverages which do not presently carry a deposit. It could be counterproductive to comprehensive recycling programs like the "Blue Box" and may encourage an influx of used containers from Ontario and northern US where there are no deposits. By itself, it fails to address adequately litter concerns because it deals with a very small (6 to 9%) portion of total litter and would dislocate some purchasing patterns to the detriment of Manitoba non-alcoholic beverage producers by increasing the cost of individual items covered by the system. Fixed household consumption budgets simply will not go as far in a grocery store, causing some items to be dropped from shopping lists. It could impose a financial penalty on some consumers such as those in remote areas, farms, or senior citizens who are not easily able to go to depots.

Related Issues

LITTER

While the Committee recognizes the Government's desire to deal with litter, it points out that soft drink containers make up only a small part of litter. US studies where soft drink consumption is double the per capita Canadian average say soft drinks and beer make up 6 to 9% of litter. A preliminary Manitoba study has indicated that the local beverage container litter rates may be higher.

Litter measurement and control experts clearly describe littering as a behavioural problem which must be dealt with accordingly. An effective solution is a comprehensive anti-litter program which should be based on the involvement of the industries whose products are commonly found in litter.

In conjunction with the enhanced performance promised by Option One, the Committee stakeholders urge the Government to recognize the multiplicity of items which make up litter and to initiate an aggressive, multi-stakeholder attack on litter problems.

The producers or distributors of all items commonly found in litter - fast foods, candy, tobacco products, newspapers, and beverages - should be called together to jointly fund this anti-litter initiative.

A detailed, professional litter study in Manitoba would reveal the proportionate share of litter generated by the consumers of the different products. These industries should then contribute funding on a proportionate basis towards creation of a carefully targeted litter control program.

REPORTING AND ACCOUNTABILITY

The Committee's discussions noted several problems with return rates quoted from other jurisdictions and Manitoba Environment has had problems evaluating the success of the MSDRI program. The Committee feels that return rates may be higher than actually reported because of leakage to the scrap industry and to other provinces with deposits. It can only estimate how many cans are handled by scrap dealers based on telephone conversations with them. Proper and complete evaluation of the recovery system will necessitate some form of monitoring and counting of the volumes recovered by scrap dealers. It is also felt that a significant volume of containers is being taken to depots in border communities. Obviously, any that leave the province in this way inflate the reported recovery in deposit jurisdictions and reduce the percentage recovered in Manitoba.

All Committee members are committed to providing timely, accurate and verifiable return numbers to Manitoba Environment. The Committee cautions, however, that a complete recovery of all containers is impossible, although an environmentally effective level of performance can be achieved.

Interprovincial comparisons should take into account differences between the market situation in each province. As an example, canned beer is positioned presently in the Manitoba market as a premium product, with a market share of 10%. Consumers pay a slightly higher price for the convenience of this container. In Alberta, on the other hand, partly because of low-priced U.S. imports, cans occupy a much larger and more price-sensitive market share (40%). In these circumstances, a difference in return rate probably is inevitable. It may be impossible in a jurisdiction where the can share of the beer market is very small, to achieve the same percentage return rate as jurisdictions where the can is being sold in larger numbers to price-conscious consumers.

MARKETS

It is important that any proposed recovery program not become an expensive garbage collection program, because markets for the collected materials either do not exist or are too small to absorb the collected materials. For example, while the current green glass from liquor containers is being marketed, enhanced recovery could overwhelm the market and require the development of new options.

LEVEL PLAYING FIELD

While different brands compete against each other within the various beverage sectors, each of the beverage sectors also compete against each other. Because adoption of either of the options imply increased expenses for the beverage sectors on the Committee, it is important that the Minister of Environment ensure that his decision on an approach to beverage containers include all beverage containers, not just those represented on the Committee.

Other Beverages

The focus of the Committee's work has been carbonated beverages as a first step in waste reduction and recycling. However, it has been the Government's intention to find ways to reduce the impact of all beverage packaging. It is vital that all beverages, whether carbonated or not, be treated equally by Government policy. Both use similar or the same packaging and this packaging can be diverted from waste regardless of what beverage was in each individual package.

A policy based on fairness to the producers of all beverages is essential. Any policy which requires actions by beverage producers will impose costs on those producers which ultimately will increase the price of their products on the store shelf. Any policy that is not fair and equal to all beverage producers would discriminate because it will give producers of non-affected beverages a competitive price advantage in the market over affected ones.

In the two options explained in this paper, the enhanced MSDRI program will, of course, accept non-carbonated beverage containers and must receive the support of those producers. If the integrated approach option is undertaken, the deposit system should cover all beverages regardless of the package used.

Imports

Any proposed changes to the system should positively impact the waste stream. All containers should be recycled, as is currently the situation, and not simply be collected for disposal in landfill sites. Imported products which are not recyclable should be restricted, banned or have a pre-disposal fee under the WRAP Act assessed on them to cover the cost of collection and disposal.

Should deposits be placed on liquor containers, it is the Manitoba Liquor Control Commission's intention to collect an amount equivalent to the deposit in addition to any border levies to cover the costs of recycling these items.

Jobbers

Truck jobbers scan U.S. markets for producers who occasionally are caught with an over supply of whatever product they manufacture. The jobbers buy large quantities, usually trailer loads, at a reduced price and then seek out a market, usually some distance away where market conditions mean they can get a higher price. This can be a serious problem for Manitoba beverage producers if these products are dumped into the market at prices lower than the Manitoba costs of production.

In other provinces in western Canada where deposits are paid on soft drinks, the truck jobber problem is even worse. Foreign product will be sold to retailers at low prices without deposits while consumers then return the containers for deposits which are paid by the local manufacturer. The soft drink producers are hurt firstly by the competition from the cheap import and secondly by paying the deposit. Manitoba's soft drink producers are much less vulnerable because there is no deposit. However, any system which imposes a deposit must protect Manitoba manufacturers from these imports.

ROLES FOR OTHER STAKEHOLDERS

The Committee recommends that the Minister of Environment undertake early consultation with other stakeholders whose interests might be affected by the implementation of its recommendations. The WRAP'91 Conference will provide an initial opportunity for this consultation, but a further public meeting on this specific subject should be organized separately.

BEVERAGE CONTAINER COMMITTEE RECOMMENDATIONS

The Committee recommends that:

1. The Minister of Environment approve an approach which builds on current systems. In implementing Option 1:

   a) the brewing industry will initiate its planned activities to increase the recovery of beer cans;

   b) the Manitoba Soft Drink Association will initiate its planned improvements in the Manitoba Soft Drink Recycling Inc. recovery program following acceptance of its detailed business plan.

   c) the Manitoba Liquor Control Commission is examining increasing the buy-back price for liquor and wine bottles.

2. Manitoba Environment work with manufacturers / distributors to initiate a standardized reporting mechanism to track the effectiveness of the recovery system.

3. If building on the current systems fails to meet the agreed recovery targets, the Government consider imposing the integrated deposit approach.

4. The Minister of Environment consider establishing a WRAP Committee on Litter which would involve all the industries whose products or packaging are commonly found in litter.

By directing the industries involved to work to improve the recovery of soft drink, liquor/wine and beer containers, the Government will position itself as:

- choosing the option that is least costly for Manitoba consumers;
- working with the industries involved to improve container recovery performance;
- putting the industries involved on notice that certain target levels must be met; and
- taking action to deal with litter on a broad basis; and.
- being sensitive to the needs and goals of consumers, industry, and, above all, the environment.

The Honourable J. Glen Cummings, Minister of Environment would like to hear your comments on this Committee's paper. Please send your comments to:

HonourableJ. Glen Cummings, Minister of Environment
Room 344, Legislative Building
Winnipeg, Manitoba
R3C 0V8

APPENDIX A

TERMS OF REFERENCE FOR A WASTE REDUCTION AND PREVENTION COMMITTEE ON BEVERAGE CONTAINERS

Whereas beverage container associated litter is a major contributor to litter in Manitoba;

Whereas carbonated beverage containers comprise of 63% of all beverage containers sold in Manitoba;

Whereas a variety of recovery mechanisms for these containers already exist in Manitoba, each meeting with varying degrees of success;

Whereas the Waste Reduction and Prevention Act empowers the Minister of Environment to develop regulations calling on "producers or groups of producers to develop, submit and implement waste reduction and prevention plans" ;

Therefore, the Minister of Environment, under the authority of the Waste Reduction and Prevention Act, hereby establishes a committee to provide advice on carbonated beverage container return systems and provide a process for "distributors of products or materials with the potential to become waste" to report on how they will fulfill their responsibilities to minimize waste and exercise stewardship.

PURPOSE

To advise the Minister on the best methods of establishing a return system for beverage containers for Manitoba, with an initial emphasis on carbonated beverage containers.

TERMS OF REFERENCE

The Terms of Reference are as follows:

- Identify methods of achieving high return rates comparable for those being achieved in other prairie provinces.
- Develop targets and an implementation schedule for achieving high return rates for carbonated beverage containers.
- Determine appropriate consumer incentives and service levels necessary to achieve high return rates.
- Determine the need for and appropriate level of handling fees for encouraging the return of containers.
- Propose methods for including non-carbonated beverages into the proposed program.
- Recommend methods to ensure accountability for the system.
- Identify appropriate roles for non-industry stakeholders in achieving high return rates.
- Prepare a report which incorporates the plans of individual industry groups.
- Recommend a course of action for the Minister.

COMPOSITION

The composition of the WRAP Committee on Beverage Containers shall include representatives of the following industries and groups:

Associated Beer Distributors
Canadian Council of Grocery Distributors
Manitoba Liquor Control Commission
Manitoba Soft Drink Association

CHAIRPERSON

The Committee shall be chaired by Jerry Spiegel, Director General, Planning and Innovation Division, from Manitoba Environment.

STAFF SUPPORT

Rod McCormick, of Manitoba Environment, will provide technical support for the Committee. Administrative support will also be provided.

COSTS

Costs associated with report preparation and direct committee-related expenses shall be reimbursed by Manitoba Environment. All costs must have Committee approval before being incurred.

Travel costs for scheduled meetings shall be the responsibility of the sponsoring organization.

MILESTONES

The Committee shall complete and submit its report to the Minister no later than April 5, 1991.